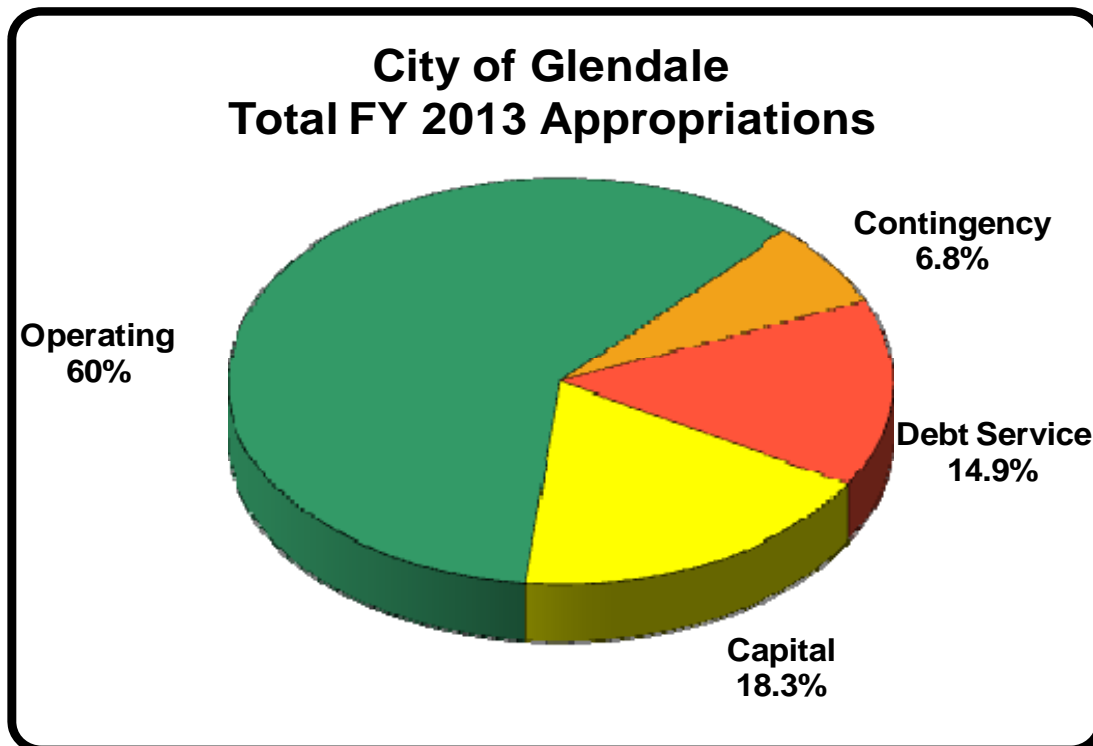


BUDGET SUMMARY

The annual budget for the City of Glendale is divided into four major components that include all appropriations for the city and are explained below. The *operating budget* finances the day-to-day provision of city services and totals \$347.7 million. The *capital improvement budget* funds the construction of city facilities, such as police/fire stations and libraries, in addition to the construction of roads, public amenities and other infrastructure throughout the city. This year the capital improvement budget totals \$106.2 million. The *debt service budget* is used to repay money borrowed by the city, primarily for capital improvements, and amounts to \$86 million. The final component of the budget is the *contingency appropriation* at \$39.1 million. This appropriation is made up of fund reserves and is available to cover emergency expenses, revenue shortages or capital project acceleration should they arise during the fiscal year.

The total budget, including all four components, is \$579 million for Fiscal Year (FY) 2013. This represents a decrease of 9.2% from the FY 2012 total budget of \$638 million. The decrease is the result of operating and capital budget reductions that were implemented to address reduced revenue sources because of the recession.

As you can see from the graph below, the operating (60.1%) and capital (18.3%) appropriations are the largest components of the FY 2013 budget and account for 78.4% of the total appropriations. Both are discussed on the following pages.



A summary of the city's major revenues and expenditures, including other financing sources and uses, provides an overview of the total resources budgeted by the organization. This summary is located in the *Schedules* section of this book and is titled *Schedule One by Category*.

Operating Budget

The development of Glendale's FY 2013 budget was an open process designed to reflect the needs and desires of the community. Throughout the year, the Mayor, City Council and city staff obtained input from the community through neighborhood meetings, citizen boards and commissions, surveys and other contacts with individuals and groups. The feedback from Glendale citizens received in FY 2011 regarding proposed operating budget reductions via the city web-site, telephone hotline and public meetings in three locations was used again in developing the FY 2013 operating budget.

During the fall of 2012, staff updated the city's *Five-Year Financial Forecast*. The forecast allows various budget scenarios to be tested for their effect on the city's financial condition on a long-range basis. At the same time, the city's CIP Management Team began the process of updating the *Ten-Year Capital Improvement Plan*. In December 2011 and January 2012, City Council conducted a goal review and strategic planning retreat to review progress made on goals and objectives and to identify key objectives for the coming year. City Council's strategic goals did not change from the previous year.

In December 2011, the Financial Services Department kicked off the budget process for FY 2013. This meeting provided an assessment of current economic trends, the revenue outlook for the upcoming fiscal year and the city manager's direction for the development of a balanced budget.

The same two principal issues that had to be addressed for the FY 2010, 2011 and 2012 budgets remain for the FY 13 budget. One principal issue for the FY 2013 budget continues to be the economy and its impact on the city's ability to fund services and infrastructure for the community through the operating and capital budgets. The international/national recession from which the economy is gradually recovering was felt far and wide throughout the world. Arizona was particularly hard hit with the bursting of the real estate bubble, steep loss of jobs – particularly in the construction industry – decline in the numbers of individuals moving to the state and a noticeable fall-off in the state's important tourism industry. The second principal issue to be addressed for FY 2013 continues to be the city-owned Jobing.com Arena and the Coyotes National Hockey League team.

Despite improvements in revenues, FY 2013 represents the fourth straight year of operating budget deficits, before the implementation of balancing measures, for the General Fund while demand for city services has remained steady or increased in some areas (e.g., code compliance). City sales tax revenues have stabilized and are projected to have a modest increase of about 1.5% (not including the proposed 7/10ths sales tax rate increase); state shared revenues will see an overall increase of 8.4%, lead by state income tax revenue which is projected to increase 19.8% year over year.

Consequently, as part of the FY 2013 budget development process, departments proposed reductions to their ongoing General Fund base operating budgets for both salary and non-salary related items. All departments participated and the proposed reductions equated to \$9 million of their General Fund operating budgets. Each department head reviewed the proposed reductions

to ensure core services, particularly those related to health and safety, as defined by City Council strategic goals, would continue to be provided. For a more in-depth discussion about the two principal issues that had to be addressed for the FY 2013 budget and the budget actions taken to address them, including the implemented operating budget reductions, see the *City Manager's Budget Message*.

City Council reviewed the city manager's balanced budget in eight public, televised workshop sessions held between February 14 and April 23 to discuss the pertinent issues surrounding the upcoming fiscal year operating, capital and debt service budgets. The draft budget, as revised by City Council, became the tentative FY 2013 budget. It was published and made available for further public review prior to the public hearing and formal adoption of the final budget on June 12, 2012. See the *Budget Calendar* for more details about the timing of various steps in the budget development and adoption process.

Capital Improvement Plan Budget

The city annually updates the *Ten-Year Capital Improvement Plan (CIP)*, which is now based on FY 2013 through FY 2022 and includes \$597 million in projects. The first year of the plan is the only year appropriated by Council. The remaining nine years are for planning purposes and funding is not guaranteed to occur in the year planned. The final decision to fund a project is made by City Council. Projects include renovations to city buildings, street improvements including pavement preservation, police/fire department communications enhancements and upgrades to water treatment and wastewater collection facilities.

The CIP Management Team includes staff from the Public Works and Financial Services Departments. This team reviewed all CIP projects for their construction costs and their projected impact on the operating budget. Projects with high operating costs are analyzed along with the Five-Year Forecast and may be deferred to ensure the city can absorb the operating impact once the facility opens. For FY 2013, \$106.2 million in capital investments is planned and a summary by type of project is provided in Table 1 below.

Table 1: Capital Improvements

(All Dollars in Millions)

<i>Fund Name (Fund Number)</i>	<i>FY 2013</i>
Transportation Capital Project (2210)	\$34.9
Water and Sewer (2360)	\$31.9
Airport Capital Grants (2120)	\$16.0
Transportation Grants (1650)	\$7.5
Landfill (2440)	\$2.8
Flood Control Construction (2180)	\$2.6
Streets Constr. - 1999 Auth (1980)	\$2.3
Grants (1840)	\$2.0
Economic Dev. Constr-1999 Auth (2100)	\$1.6
Sanitation (2480)	\$1.3
General (1000/1283/1740)	\$1.0
Public Safety Construction (2040)	\$0.7
DIF-Citywide Open Spaces (1520)	\$0.3
DIF-Roadway Improvements (1601)	\$0.3
All Other Projects	\$1.0
Total CIP	\$106.2

Refer to the *Capital Improvement Plan* section for more detailed information regarding the projects included in these categories, as well as the funding sources available for each.

Amending the Budget

Once the City Council adopts the annual budget, total expenditures cannot exceed the final appropriation of \$579 million for FY 2013. However, with City Council's formal approval, the city can adjust the total appropriations within the funds provided that the budget remains in balance. This means that if one fund's total appropriation is increased, then appropriations from another fund or funds must be reduced by an equal amount.

Inter-fund, inter-departmental or inter-CIP project transfers are approved by City Council as part of the normal course of city business when various council communications detailing pending construction awards, grant awards or professional service agreements are presented at public meetings.

During the last three months of the fiscal year, Council may approve the transfer of unencumbered appropriation among funds and departments. All budget transfers are documented by the Financial Services Department and tracked in the city's computerized financial system.

Fund Descriptions

The City of Glendale uses fund accounting to track revenues and expenditures. Some funds, such as the Streets Fund, are required by state legislation. Others were adopted by the city to track and document revenues and expenditures related to specific operations. The city has seven main categories of funds: general, special revenue, debt service, capital, trust, enterprise and internal service. These categories are used to track the activity of almost 90 separate funds. For example, enterprise funds are expected to be self-supporting through revenue for the services provided. For these funds, the city charges a fee for a specific service, such as sanitation collection, just like any other business would do. A brief description of each fund within each fund category is provided on the pages that follow.

General Fund Group:

General (Fund 1000): The General Fund includes all sources of revenue the city receives that are not designated for a specific purpose. General Fund revenue may be used by the City Council for any legal public purpose. Most city departments receive at least some support from the General Fund. The FY 2013 budget includes a 7/10ths of one cent sales tax increase that is expected to generate an additional \$23 million as approved by Council at the April 23 budget workshop. With the increase, the base sales tax rate [General Fund portion] will increase from 1.20% to 1.90%. The additional revenue will be used to cover both operating and debt service expenses funded by the General Fund and will help the city gradually rebuild a fund balance that was drawn down between FY 2009 and FY 2012 to avoid severe service reductions to the community.

National Events (Fund 1010): The National Events Fund was established in FY 2005 to track General Fund cash that was set aside by City Council to pay for community improvements and operations associated with the initial Fiesta Bowl, the 2007 Bowl Championship Series college football game and Super Bowl 2008. The cash reserves were augmented by the collection of fees associated with these events, including parking and shuttle revenue. With the successful completion of the Super Bowl event in February 2008, the remaining fund balance was retained in the fund until FY 2011 when \$335,000 was transferred back into the General Fund. The remaining fund balance has been appropriated as contingency in FY 2013.

General Services (Fund 1040) and Telephone (Fund 1100): The General Services and Telephone Funds are used to track income and expenses of the internal services provided to city departments. The General Services Fund specifically covers vehicle maintenance needs and fuel purchased for city vehicles. The Telephone Fund covers expenses related to phone lines, circuits, T1 lines, VPN access, long distance, etc. City departments pay for these services on an actual usage basis. These charges go into each fund as revenues that support the cost of providing the services. Both funds generally carry only a small fund balance because the rate structures are designed to recover only actual costs. Small annual surpluses may occur from time to time, but these are generally returned to city departments when rates are established for the following year. An exception to this general practice has occurred with the Telephone Fund. A fund balance has been allowed to accrue in anticipation of future upgrades and the potential for unforeseen repairs.

Vehicle (Fund 1120) and Technology Replacement (Fund 1140): These replacement funds were designed to allow the city to accumulate the money needed to replace at regular intervals the city's fleet of cars, trucks and other rolling stock and its personal computers, servers and other technology-related equipment. Typically each department pays annually into each fund based on the amount of equipment in its inventory, the expected life span of the equipment in use and any residual value of the equipment. Replacement equipment is then purchased according to the established replacement schedule and paid for out of the appropriate replacement fund. Fund balances in both fluctuate from year to year according to the replacement schedules.

To help address soft economic conditions, the General Fund contributions to both funds were reduced to the 40% funding level for FY 2013. To account for this reduction in funding, the city's fleet of cars was reduced in favor of the motor pool, the useful lives of non-public safety equipment were extended and computers will not be replaced unless they malfunction for all General Fund covered equipment. Enterprise Funds contributions remain at the 100% level and replacements continue to be made as scheduled for equipment in FY 2013.

Employee Groups (Fund 1190): This fund was created to track activity related to employee groups such as the Glendale's Exceptional Municipal Staff (GEMS). GEMS plans, organizes and sponsors events such as the annual holiday employee luncheon, conducts fund raising activities for local non-profits and plans periodic social events to provide a setting for informal networking outside of the work environment, with the assistance of various planning committees and employee volunteers. Inflows to the fund include vending machine revenues generated by employee purchases as well as outside donations and sponsorships.

Arts Commission (Fund 1220): One percent (1%) of city construction projects included in the Capital Improvement Program is deposited quarterly into the municipal arts fund. The funds are used to administer the city's public art and performing arts program. Expenditures from the fund are recommended by the Glendale Arts Commission through its annual art projects plan and are subject to approval by the city council. FY 2013 revenue is projected to be \$112,082 due to a planned slowdown in construction activity. However, a projected beginning fund balance of \$1.3 million will be used to fund operations and any capital related purchases.

Court (Fund 1240): The Court Fund revenue is derived from two primary sources: a security surcharge paid by persons convicted of traffic or misdemeanor offenses in City Court, and time payment fees charged to persons who choose to pay their fines in installments. The security surcharge revenue must be used for security services and facility improvements at the City Court. The time payment fee revenue may be used for activities or costs associated with collecting fines. These revenues and any associated expenditures are tracked in this fund.

Library (Fund 1260): This fund is used to track revenues from book sales at our Main, Foothills and Velma Teague branches. Other library fines and fees revenue is included in the General Fund. The FY 2013 projected beginning balance of \$316,558 and projected revenues of \$184,328 will be offset by budgeted expenditures for book purchases and some temporary/hourly labor costs made from the fund totaling \$155,000. Therefore, the ending fund balance is projected to increase to \$345,886.

Youth Sports Complex (Fund 1280): The Glendale Youth Sports Complex is adjacent to the University of Phoenix Stadium. It features five sports fields that were developed to fill a community need for additional youth facilities in the west valley. The complex also provides additional parking to the stadium. Expenditures related to the operations and maintenance of the facility is offset primarily by a General Fund operating transfer that is supplemented by some rental revenue generated through the use of the fields.

Stadium (Fund 1281), Arena Event Operations (Fund 1282) and Camelback Ranch Event Operations (Fund 1283): These funds were created to track the city's operational costs associated with events held at the stadium, arena and spring training venues. All public safety, transportation and marketing costs related to football, hockey, baseball, concerts, trade shows and other events held at these venues are recorded in the corresponding event operations fund. Revenue reimbursement for city services paid by the operations management company for all venues is recorded in the funds. A General Fund operating transfer is made to cover all expenditures that exceed the reimbursement received.

Civic Center (Fund 1740): The Civic Center Fund was created to track revenues and expenses for the downtown facility that contains over 33,000 square feet of meeting and event space. The Civic Center can host as many as 60,000 people at as many as 250 events including weddings, trade shows and conventions in any given fiscal year. This fund was reclassified from the special revenue category to the general fund group in FY 2012 because of the level of support provided by the General Fund. A projected transfer from the General Fund of \$296,602 will supplement revenues of \$450,440 generated from Civic Center activities in FY 2013 to cover operating and capital related expenditures. For FY 2013, Civic Center rental fees were adjusted upward to reflect market pricing for similar facilities in the metropolitan area.

Zanjero Special Revenue (Fund 1770): This fund is used to track the revenue generated by the Zanjero development just north of Westgate on Glendale Avenue. The Zanjero development is a 158-acre mixed-use project that is planned to include residential, office, retail and hotels. This site is anchored by Cabela's, the world's foremost outfitter of outdoor gear. Revenues collected in the fund are transferred to the MPC debt service fund and are used to pay the debt service related to infrastructure improvements that the city completed for this development. The designated sales taxes for public safety and transportation that are generated at facilities in the Zanjero development are deposited to the appropriate designated sales tax fund.

Arena Special Revenue (Fund 1780): The Arena Special Revenue Fund tracks the revenues generated from Jobing.com Arena events and the surrounding Westgate City Center. The Arena Special Revenue Fund also tracks the operating expenditures associated with arena renewal and replacement to ensure the arena stays modernized. For FY 2013, this fund includes \$1 million for capital-related renewal and replacement expenses at the arena. Revenue collected in this fund includes Phoenix Coyote team/arena fees, parking fees and sales taxes. There is a transfer from this fund to the MPC debt service fund to pay the debt service related to the construction costs associated with the arena. The designated sales taxes for public safety and transportation that are generated at the Arena and Westgate City Center are deposited to the appropriate designated sales tax fund.

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Westgate City Center opened in November 2006 and already includes 2.8 million square feet of retail, lodging, restaurants, entertainment and office uses. In addition, a new Tanger Factory Outlet Center/Mall, a 368,000 square-foot development is scheduled to open before the 2012 holiday season. Jobing.com Arena is home to the National Hockey League's Phoenix Coyotes and also serves as a first-class venue for concerts, trade shows and other events.

PFC Special Revenue (Fund 1782): The PFC Special Revenue Fund tracks the sales tax revenues generated from Camelback Ranch spring training baseball facility events. This is in accordance with an IGA established with the City of Phoenix. The FY 2013 sales tax revenue is estimated to be \$105,000. It will also be used to track future revenue streams associated with commercial development projects around the facility. A transfer from this fund to the PFC debt service fund is planned each year to pay the debt service related to the construction costs associated with the facility.

In FY 2013, the PFC Special Revenue fund is projected to see a one-time inflow of \$11.3 million related to a planned PFC debt service re-financing in which unused capital bonds proceeds associated with the construction of the facility will be made available to pay down PFC related principal and interest.

Stadium City Sales Tax - AZSTA (Fund 1790): This fund was created to track specific University of Phoenix Stadium revenues that are refunded to the Arizona Sports and Tourism Authority (AZSTA) in accordance with signed development, construction and operating agreements. All revenues collected in this clearing house type fund are subsequently disbursed to the AZSTA. The designated sales taxes for public safety and transportation that are generated at the University of Phoenix stadium are deposited to the appropriate designated sales tax fund.

Marketing Self-Sustaining (Fund 1870): This fund tracks the collection and use of revenues related to special events put on by the city's Marketing Department. Examples include vendor rental fees and city costs for downtown special events such as the Jazz N' Blues Festival, Glendale Glitters and the Chocolate Affaire. Although the Communications Department receives contributions from sponsors and collects fees from vendors for these special events, it also is scheduled to receive a transfer of \$320,145 from the General Fund to support FY 2013 special events. The General Fund support for this fund was reduced for FY 2012 and that will continue for FY 2013 as this fund has sufficient fund balance to use for operations.

Public Safety Training Center (Fund 2530): All revenues and expenditures associated with the Glendale Regional Public Safety Training Center are tracked in this fund. The facility was built with capital contributions from the City of Glendale (74.8%), Maricopa County Community College District (8.2%), City of Surprise (6.6%), City of Peoria (6.5%), City of Avondale (3.9%) and the federal government. The training center provides fire and police departments with the tools required to train new firefighters and conduct continuing education and training for fire and police personnel. Facility management operating costs are shared proportionately with the police and fire partners based upon the initial capital contribution. In addition, direct operating costs incurred at the facility by the Glendale Police and Fire Departments are shared with the partners of those respective disciplines/departments.

Glendale Health Center (Fund 2538): The Glendale Health Center is located within the Glendale Regional Public Safety Training Center. The center is staffed by contractual medical professionals and is fully equipped with the testing equipment, exam rooms, x-ray machines, and other medical equipment required to perform public safety personnel physical examinations on a fee-for-service basis. The onsite contractual staff is required to perform medical examinations, bill and collect for all services rendered at the center, and remit negotiated fees for each medical examination performed to the City of Glendale and the Glendale Health Center.

Revenues and associated operating expenses are tracked in this fund. Although the center will derive a large portion of its business from existing Glendale Regional Public Safety Training Center partners, it is also open to outside organizations that are in need of the more extensive testing requirements associated with public safety personnel physical examinations. FY 2013 projected revenues totaling \$65,966 will be offset by operating expenditures of \$54,000. Any excess revenues at year end will remain in fund balance and can be used to offset future costs associated with the repair and replacement of medical equipment.

Special Revenue Fund Group:

HURF/Streets (Fund 1340): This fund is used to track Highway User Revenue Fund (HURF) monies that the State of Arizona distributes to cities, towns and counties. This revenue source is commonly referred to as the gasoline tax although there are several additional transportation-related fees that comprise this revenue, including a portion of vehicle license taxes. Overall, much of this revenue source is based on the volume of fuel sold rather than the price of fuel.

There is a state constitutional restriction on the use of HURF revenues; they must be used solely for street and highway purposes such as maintenance, repair, reconstruction and roadside development. In Glendale, the fund supports street cleaning and maintenance, traffic signs and signals, street lighting and other street-related activities. Any remaining fund balance is appropriated as contingency appropriation that can be used only as directed by Council during the fiscal year.

Local Transportation Assistance (Fund 1640): The Local Transportation Assistance Fund (LTAF) is used to receive state lottery funds distributed to the cities based on population. These funds must be used for transportation purposes including transit programs. Glendale transfers 100% of its LTAF funds into the Transportation Sales Tax Fund.

The state legislature suspended LTAF distributions to cities and towns in FY 2011 and FY 2012 in an effort to balance the state's budget. However, LTAF II distributions were reinstated during the course of FY 2012 and will continue into FY 2013. These revenues are expected to generate \$665,234 and have been included in the FY 2012 estimate and FY 2013 adopted budget.

Transportation Sales Tax (Fund 1660): The Transportation Sales Tax Fund supports transportation services in Glendale. The fund is primarily supported by designated sales tax revenue received from Proposition 402 (0.5%). In 2001 Glendale voters approved a one-half cent adjustment to the city sales tax rate to fund a comprehensive package of transportation projects including expansion of public transit service, intersection improvements to reduce congestion and other street-related services. 100% of the revenues and operating expenditures

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are accounted for in this fund. A separate Transportation Construction Fund exists to track transportation related capital expenditures that are paid for by the designated sales tax.

Typically, the city will issue revenue bonds to fund transportation capital projects and deposit the bond proceeds into the Transportation Construction Fund. Debt service payments are then funded with the revenues collected in the Transportation Fund. Each year the Transportation Fund transfers cash into the Transportation Debt Service Fund to cover debt payments. Transfers also can be made from the Transportation Fund to the Transportation Construction Fund to fund capital project construction on a cash basis. This will be done in FY 2013 and accounts for the draw-down of the \$26.8 million beginning fund balance.

Police (Fund 1700) and Fire Special Revenue (Fund 1720): In 1994, Glendale voters passed a citizens' initiative that increased the local sales tax by 0.1% to add police and fire personnel and related equipment. In September 2007, Glendale voters passed a separate initiative that increased the local sales tax by another 0.4%, bringing the total public safety tax rate to 0.5%, effective November 1, 2007. Both taxes specified that two-thirds of the revenue would go to police operations and one-third to fire operations. The original tax (0.1%) included all grocery related food sales but the new tax (0.4%) excludes all grocery related food sales. Both taxes specifically prohibit supplanting existing general fund budgets with the sales tax revenue.

The number of authorized positions within the designated sales taxes increased from 42 to 118 for the Police Department, and from 22 to 51 for the Fire Department since the tax rate adjustment became effective on November 1, 2007. The designated sales tax also covers the associated vehicles, equipment and supplies needed to outfit the additional staffing. The Police and Fire Revenue Funds are used to track these revenues and expenditures to ensure compliance with all rules and regulations outlined in the ordinance.

During the course of FY 2013, the balances for these funds are expected to decline to accommodate planned expenses. Even so, these two public safety funds are expected to retain year-end balances equal to approximately 36% of the current year's projected revenues in total, which exceeds the 10% preferred fund balance minimums set per the city's financial policies.

Airport Operating (Fund 1760): This fund was established to track the operating revenues and expenses of the Glendale Municipal Airport. The long-range goal for the airport is to become a self-sustaining operation, at which time the Airport Fund will become an enterprise fund. The airport has already attracted more commercial business traffic with the development of Westgate, the Jobing.com Arena, University of Phoenix Stadium and Camelback Ranch (spring training baseball facility). The Airport Fund is projected to receive a General Fund transfer of \$144,415 to augment projected revenue collections of \$456,036 in FY 2013.

Grant Funds: The city created a number of individual funds to track grants received from various federal, state and county sources. Individual funds allow the city to comply with the specific financial and reporting requirements of each grantor agency. Separate funds are used to track revenues received from the federal government and any associated expenditures with the HOME Grant (Fund 1300), Neighborhood Stabilization Program (Fund 1310), Neighborhood

Stabilization Program III (Fund 1311), Community Development Block Grant (Fund 1320) and Emergency Shelter Grant (Fund 1830).

Another fund tracks the Community Action Program (Fund 1820) grant funds received from Maricopa County. A Transportation Grant (Fund 1650) fund is used to track grant activity for projects covered by the Glendale Onboard transportation program and a fund titled Airport Capital Grants (Fund 2120) is used for any grant related project involving the city airport. The three-year federal stimulus grants that were started in FY 2010 are tracked within a fund titled ARRA (American Recovery and Reform Act) Stimulus Grants (Fund 1842).

Most other grants are tracked through the Other State and Local Grants Fund (Fund 1840). These grant funds come in on a reimbursement basis, so these funds typically do not carry a fund balance from year to year unless a specified grant award is expended over multiple fiscal years.

RICO (Fund 1860): Federal anti-racketeering laws permit law enforcement agencies to seize and sell property and proceeds acquired by individuals as a result of their involvement in certain types of criminal activities such as the sale of illegal drugs. The city's RICO Fund tracks the revenue generated from such seizures as governed by the Racketeer Influenced and Corrupt Organizations Act. Expenditures backed by this revenue source must be made for purposes that improve public safety or crime prevention programs and cannot be used to supplant existing funding for law enforcement purposes.

Parks & Recreation Self-Sustaining (Fund 1880): This fund tracks the collection and use of revenues related to self-sustaining programs administered by the Parks & Recreation Department for sports, aquatics and special interest type classes for which fees are charged. In FY 2013 projected revenues of \$1,231,600 will be offset by projected expenditures totaling \$1,231,083.

Parks & Recreation Designated (Fund 1885): The Parks and Recreation Department has agreements with several local school districts to cover the maintenance of city pools located on school property and jointly owned city/school district parks. The school districts and the city make payments into the fund to cover major maintenance and restoration costs. The fund balance is projected to decrease from \$258,995 to \$89,257 in FY 2013 as a result of planned expenditures related to designated facilities. This fund also includes a separate division used to track the costs associated with the maintenance of the Elsie McCarthy Park in accordance with a generous donation made by a private party and designated for this purpose only.

Debt Service Fund Group:

Bond financing is the primary source used to finance long-term capital projects and infrastructure. The City's debt management plan is an important tool for one of the main financing sources of the CIP. Outstanding debt, debt limitations, voter authorization and cash flow projections are reviewed as part of the capital budgeting process, while the annual debt service payments are incorporated into the debt service budget. Depending on the need and the type of project being financed, several different types of bonds are available to the City.

Separate funds are used to track payments made on the city's outstanding debt obligations. Each type of debt (General Obligation, Revenue Bonds and Municipal Property Corporation) is tracked separately. Fund balances fluctuate according to established debt payment schedules. The city's debt policies and long-range debt management plans are described in detail in the *Capital Improvement Plan* section of this document and the associated debt schedules that show the principal and interest payments by year are included in the *Schedules* section.

General Obligation (G.O.) Bond Debt (Fund 1900): G.O. bonds require voter authorization and are backed by the taxing authority of the City. These bonds finance projects that City Council select as part of the budget process every year. Arizona law limits the amount of G.O. bonds the City can have outstanding based on the secondary assessed valuation of both commercial and residential property located within the city limits. Financing for the following types of projects are limited to 20% of the city's secondary assessed valuation: parks and recreation, open space and trails, flood control, water and sewer, streets and transportation, and public safety. Financing for general government, economic development, libraries and cultural and historic projects is limited to 6% of the secondary assessed valuation. Secondary property tax revenue is recorded directly into this fund and used to pay G.O. bond debt.

The balance in this fund grew over time as the timing of bond issuances and the commencement of capital construction occurred later than originally planned. This fund balance was used to address the shortfall between the revenue generated from the secondary property tax rate and the annual debt service requirements that developed with the unprecedented decline in property values with the last recession. As presented to Council during the April 23, 2012 budget workshop, the FY 2013 secondary property tax rate increase of \$0.3054 is step one of a two step rate increase. Step two will be implemented in FY 2014 after Council's annual review of the property tax rates to ensure future tax rates are set in accordance with required debt service obligations. See the *Capital Improvement Plan* section for a more in-depth discussion.

Public Facilities Corp (PFC) Bond Debt (Fund 1930): The PFC is a non-profit corporation organized under the laws of the State of Arizona to assist the City to finance, construct and equip the Camelback Ranch spring training baseball facility. City Council retains oversight and must approve all PFC debt upon recommendation from the PFC's Board of Directors, which consists of four City employees and one private citizen. Although the PFC is a legally separate entity from the City, the PFC is reported as if it is part of the primary government because its sole purpose is to finance and construct public facilities for the City.

Although the facility opened in FY 2010, capitalized interest (i.e. excess bond proceeds) from the initial bond sale were used to make the initial debt service payments. In FY 2013, the City will refinance the PFC debt in a manner that allows the remaining, unused bond proceeds to be used to cover the FY 2013 principal and interest payment. Future year PFC debt service payments will be covered by revenues generated at the facility and surrounding commercial developments with the balance being funded with a transfer from the General Fund.

Municipal Property Corp (MPC) Bond Debt (Fund 1940): The MPC is a non-profit corporation organized under the laws of the State of Arizona to assist the City in the acquisition and financing of municipal projects and facilities. MPC bonds require City Council approval but

do not require voter authorization. These bonds are backed by the city's excise taxes. For some MPC issuances, the excise tax revenue generated at the location where improvements were funded with MPC bonds is used to offset the respective debt service payment (e.g., Jobing.com Arena and the Zanjero development). The amount of MPC bonds that can be issued is limited by the city's ability to repay the bonds. These bonds often have restrictive covenants requiring a reserve of pledged revenues equal to some multiple of the maximum debt service payment on the bonds.

Street (Fund 1920) and Transportation Revenue Bond Debt (Fund 1970): The

Transportation Revenue Bond Debt Fund is for the payment of debt service on revenue bonds used to finance projects that are backed by the designated city sales tax for transportation. This type of bond does not require voter authorization.

Highway User Revenue Fund (HURF) bonds were used for street projects that are backed by a pledge of the HURF monies the city receives from the state. Street capital projects financed with HURF monies require voter authorization. HURF monies will cover \$1.35 million and the remaining debt service will be paid by secondary property tax revenue (\$1.35 million), transportation special sales tax revenue (\$1 million) and roadway development impact fee revenues (\$1 million). Given the uncertainty regarding how future HURF revenue will be distributed, these contributions will be monitored closely going forward.

Capital Fund Group:

Construction funds account for financial resources used for the acquisition or construction of major capital facilities and equipment. They are based on the type of general obligation bonds and other types of long-term financing that the city issues. Considerable detail on planned capital projects, their potential operating impacts on the General Fund, Enterprise Funds, debt policies and tax implications are included in the *Capital Improvement Plan* section of this document. Any remaining fund balances in the capital construction funds are appropriated to contingency to cover unanticipated project costs or the unanticipated acceleration of key projects.

Development impact fees have been another major source of funds used for constructing major city infrastructure. These are based on the type of development impact fees the city collects from developers to address the city's capital costs associated with accommodating growth. Separate funds are used to track the collection of fees associated with the construction of libraries, fire and police facilities, parks, roadway improvements, etc. Further information about these types of funds is included in the *Capital Improvement Plan* section of this document.

Trust Fund Group:

Cemetery Perpetual (Fund 2280): The purpose of this fund is to provide future monies sufficient to pay all or a portion of the operational and maintenance expenses of the Glendale Memorial Park Cemetery when operations no longer produce revenue. All revenues from sales

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Budget Summary



of lots, headstones, domes, appurtenances and services provided through the operation of the cemetery are deposited to the city's General Fund.

Fund balance invested pursuant to the city investment policy and their related investment earnings accumulate in the perpetual care fund. Although monies may be withdrawn from the fund for cemetery expansion and improvements, none are budgeted in FY 2013. Interest income of \$21,505 will increase the projected FY 2013 ending fund balance to \$5.6 million of which the entire amount is appropriated as contingency and can only be used pursuant to the perpetual care fund ordinance.

Enterprise Fund Group:

Water/Sewer (Funds 2360, 2380, 2400 & 2420): The Water/Sewer Enterprise Fund supports the provision of water and sewer service to Glendale residents and businesses. It is completely self-supported through water sales, sewer user fees and other related user fees. The fund receives no tax revenue and pays an annual contribution to the General Fund for administrative support services such as personnel, finance and legal services that General Fund departments provide. If the General Fund departments did not provide these services, the enterprise fund would have to contract with outside vendors to receive the services.

All revenues and expenditures associated solely with providing water services to citizens and businesses in Glendale is captured in Fund 2400 (Water). All activity associated solely with providing sewer services is recorded in Fund 2420 (Sewer). Fund 2380 (Water & Sewer bond Debt Service) is used to track activity related to revenue bond financings covering capital improvement projects. Fund 2360 (Water/Sewer) is used to capture any expenditures that are incurred on behalf of both water and sewer operations. For example, administration costs associated with providing oversight to both operations, as well as the expenses associated with the customer service division of the Financial Services Department, which handles the billing accounts for both water and sewer operations, is recorded in Fund 2360.

The Water/Sewer Enterprise Fund balance is expected to decrease from \$64.3 million to \$38 million (ending fund balance plus contingency appropriation) in FY 2013 because of planned capital expenditures totaling \$31.9 million and the debt service requirements associated with revenue bond funded projects totaling \$24.2 million. Examples of capital projects include groundwater treatment plant improvements, water reclamation facility improvements, system security enhancements, as well as planned line replacements and extensions. A revenue budget of \$77.9 million helps cover the previous expenditures, in addition to the operating budget which accounts for salaries, electricity, chemical treatments, supplies, etc. totaling \$48.1 million.

Landfill (Fund 2440): The Landfill Enterprise Fund supports the operation of the Glendale Landfill. City departments, and all private haulers pay tipping fees (based on tonnage disposed) to use the city's landfill. Non-city customers pay higher tipping fees. City Code requires that any excess of budgeted revenues over budgeted expenditures be reserved each year for major landfill improvements, major equipment purchases and the eventual closure costs. The city's successful recycling program has helped to extend the life of the landfill and contribute to our community's effort to improve the environment.

The Landfill fund balance is expected to decrease from about \$6.9 million to \$5.9 million (ending fund balance plus contingency appropriation). The FY 2013 operating budget totals \$7 million and planned capital expenditures related to a scale-house/road relocation project, gas system modifications and heavy equipment purchases total \$2.8 million. The FY 2013 projected revenues total \$7.9 million.

Sanitation (Fund 2480): This fund supports refuse collection and disposal services to homes and businesses in the city. It is supported through monthly charges paid by sanitation customers. The divisions in the Sanitation Enterprise Fund pay the Landfill Fund to dispose of solid waste at the landfill. The fund balance is expected to decrease from about \$1.8 million to \$1.2 million (ending fund balance plus contingency appropriation) in FY 2013 as planned expenditures for large capital equipment (i.e., roll-off trucks, front and side-load trucks, loose trash equipment, etc.) will be made using some of the fund balance. Projected revenues of \$14.8 million are offset by operating expenditures totaling \$14.3 million

Community Housing Services (Fund 2500): The Housing Fund supports Glendale's public housing program that is part of the Community Partnerships Department. The fund is almost entirely financed by federal housing revenue/grants but it also receives a yearly transfer from the General Fund to help cover personnel administrative expenses. The scheduled transfer for FY 2013 is \$307,000 and remains unchanged from the previous fiscal year.

Internal Service Fund Group:

Risk Management (Fund 2540) and Workers' Compensation (Fund 2560): The Risk Management and Workers' Compensation Trust Funds support the provision of liability insurance and worker's compensation coverage for the city. Income to the funds comes from premiums charged to each city department based upon a number of factors including the number of employees, job classifications, size of operating budget, actual claims history, etc. The funds are used to pay claims against the city and to cover premiums for certain types of outside insurance coverage.

Benefits Trust (Fund 2580): The Benefits Trust Fund was created in FY 2001. An actuarial study of health insurance funding recommended the creation of a separate fund would be the best way to develop reserves to meet future cost increases for health-related insurance. During the course of the year, employer and employee contributions for medical, dental and vision insurance are deposited into this fund. Income to the fund comes from premiums charged to each city department based upon employee coverage elections made each year during open enrollment (employer portion). The fund also receives contributions from employees, both current and retired. Premium payments to insurance carriers and related claims expenses are made directly from the fund. The ending fund balance and any contingency appropriation serves as a reserve to cover incurred but not reported claims, as well as a buffer against rising health care costs.